

To Our Shareholders

Home City Financial Corporation is pleased to report a second quarter Net Income of \$123,000 along with Assets of \$144,390,000. Year-to-date net income for the first six months was \$255,000, which included an expense to provision for loan loss of \$270,000.

Net Interest Margin continues to improve as compared to the prior year. Total Non Interest Income of \$141,000 increased over the first quarter of \$92,000 primarily as a result of increased activity of real estate loans being sold into the secondary market. Total Non Interest Expense such as salaries, benefits, occupancy, equipment, data processing, franchise tax and other miscellaneous expenses continue to be less than the prior year.

Asset Quality continues to be our primary emphasis. As of June 30, 2010, our delinquency ratio (loans with a payment past due 30 days or more divided by total loans) was 3.38%. This ratio represents \$3,855,000 currently past due 30 days or more. The amount past due represents 33 customers, of which two customers have balances totaling \$1,245,000. Home City continues to work with each of these customers implementing repayment plans.

**Our core and risk based capital continue to meet the levels required to be designated well capitalized under Office of Thrift Supervision regulations.**

Shareholders were well represented in person or by proxy at the Annual Shareholders' Meeting held April 28, 2010. Shareholders approved the 2010 Equity Incentive Plan and elected the Nominees for Directors.

Sincerely,

J. William Stapleton  
President, CEO & COO